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GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

MARY A. LANNOYE  
DIRECTOR

June 17, 2003

Memorandum

TO: Human Resources Directors

FROM: Ruth Mealy, Director  
Office of Financial Management

SUBJECT: Changes in Payroll Taxes

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Effective with the June 19<sup>th</sup> pay date, employees may notice an increase in their net pay as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. Additional information is available at the following IRS website:  
<http://www.irs.gov/formspubs/article/0,,id=109876,00.html>

Major changes made by the new law are highlighted below.

- The 2003 Tax Rate Schedules have been revised.
  1. The tax rate brackets of 27%, 30%, 35%, and 38.6%, have been reduced to 25%, 28%, 33%, and 35%, respectively.
  2. The 15% rate bracket for married taxpayers filing jointly and qualifying widow(er)s has expanded to twice that of single filers.
  3. The maximum taxable income subject to the 10% tax rate has increased to \$7,000 for single taxpayers and married taxpayers filing separately (\$14,000 for married taxpayers filing jointly and qualifying widow(er)s).
- The standard deduction for married taxpayers filing jointly and qualifying widow(er)s has increased to \$9,500 (twice that of single filers). The standard deduction for married taxpayers filing separately has increased to \$4,750 (the same as that of single taxpayers).

- The maximum child tax credit has increased from \$600 to \$1,000 per child. Beginning on July 25, 2003, the IRS will mail checks to taxpayers who claimed the child tax credit for 2002. The checks are an advance payment of the increased portion of the child tax credit for 2003, up to a maximum of \$400 per child, and will be based on 2002 tax return information using the number of qualifying children under age 17 as of December 31, 2003.
- Additional changes have been implemented related to alternative minimum tax exemptions and tax rates applicable to capital gains and dividends.

If you have any questions, please contact Peter Woodford, Payroll Service Center Manager, at 517-335-3588.